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SUBJECT: WHAT DID ONE LONG, SKINNY COUNTRY TELL THE OTHER? JOIN
WTO, IMPROVE TRANSPARENCY AND RULE OF LAW

Summary

1. Chilean President Ricardo Lagos and his delegation ended a three-day visit to Vietnam by addressing a seminar devoted to improving trade ties. Impressively, they delivered the message that transparency is the key to economic growth and that WTO accession is necessary to continue and protect that growth. The meeting was ostensibly about trying to increase trade and investment between the two nations, which was a paltry \$19 million last year. End summary.

Very Low Levels of Trade

2. Following the APEC Leaders Meeting in Bangkok, Chilean President Ricardo Lagos spent three days in Vietnam. Capping off this visit, was a seminar called "Vietnam - Chile Business - New Horizons for Corporation" in Ho Chi Minh City, at which he was keynote speaker. Two hundred businessmen, along with local officials, assembled at Ho Chi Minh City's Reunification Palace to hear Vietnamese and Chilean speakers deliver hopeful messages of a brighter trade relationship. Current trade is modest at best. Trade peaked in 2001 at 26.6 million USD but dropped back to 19.1 million USD in 2002. Numbers are up so far this year, with trade reaching 20 million USD during the first eight months of 2003. Trade flowing from Vietnam to Chile includes garments, footwear, handicrafts, seafood, and bicycles. The flow in the other direction includes wood, fertilizer, animal feed, and accessories used in Vietnam's garment industry. Overall, about 75 percent of the trade is Vietnamese exports to Chile.

Keys to Success: Transparency, Predictability, and the WTO

3. Transparency and predictability were twin refrains running throughout the Chilean presentations. The keynote speech by President Lagos kept to a message of past and future cooperation but members of his delegation spoke more substantively. Without explicitly linking Vietnam to a deficiency in these areas, the Chileans made their point. Time after time, they argued that transparency and predictability were the keys to attracting and keeping investors, as well as developing the overall economy. The speakers explicitly linked Chile's own economic successes to transparency and predictability. The underlying message was quite clear: Vietnam must address transparency and rule of law.

4. Ricardo Lagos-Weber, Director for Multilateral Economic Affairs at the Chilean Foreign Ministry, also described the nature of trading relationships and the importance of the WTO. The audience heard that a byproduct of increased trade was trade conflicts with other countries, that as a nation's economy grew it would begin to impinge on the interests of others and this would naturally lead to disputes. His message was that these disputes were a normal part of international trade and a sign of growing economic power. The speaker linked the outcome of these disputes to participation in the WTO, saying that the only way smaller countries could be assured of equitable results in conflicts with larger trading partners was through the WTO.

5. Local Ho Chi Minh City officials, led by People's Committee Chairman Le Thanh Hai, stressed HCMC's advantages for Chilean investors and business people. Luong Van Ly of the Department of Planning and Investment called Ho Chi Minh City "the economic, educational, social, and cultural hub of the country." Encouragingly, he also named transparency as the final target of efforts to make the city an attractive destination for investors.

Comment

6. While this seminar is unlikely to radically expand Chile-Vietnam trade or dramatically accelerate economic reforms here, the reminders, from a third-party, that legal reforms are key for Vietnam's economic success are most welcome.

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